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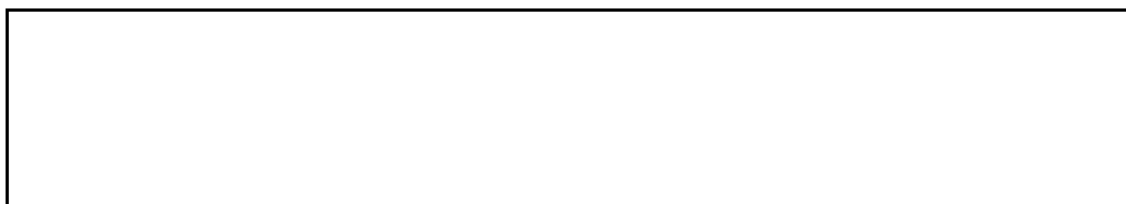
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EC SUMMIT

The results of the EC summit that concluded in Paris last night will enable French President Giscard d'Estaing to come to next weekend's meeting with President Ford backed by more community solidarity than had seemed possible a few weeks ago.

Doubts about Britain's continued membership in the EC will have been eased, although certainly not eliminated; the Nine have stated publicly their interest in the French-backed conference of oil producers, consumers, and developing states; and the emphasis of the Nine on the dangers of economic depression may be intended to bolster a plea for remedial action by the US.

The solution found in Paris to Britain's demand for a fairer share in contributions to the EC budget is one which the British may have come to the summit already prepared to accept. The Anglo-French debate in Paris, including a sharp exchange between Wilson and Giscard, will nevertheless impress respective domestic audiences that the leaders have been tough. The EC Commission has been instructed, in effect, to meet the UK request for a budget formula linked to a member's gross national product.

On the energy problem, France did not announce an intention to join the US-sponsored International Energy Agency, and Giscard has left any possible move in this direction for discussion at the US-French summit. France's partners nevertheless supported a consumer-producer conference in return for Paris' going along with preliminary consultations among the industrialized oil users. The Nine will apparently now try to concert energy policies within the EC in order to present a more united front within any larger cooperative effort.

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The summit discussions of Europe's economic problems were characterized as being "sad and somber." Reflecting growing concern over near-intolerable levels of unemployment, the Nine seemed to consider this problem as serious as inflation. Chancellor Schmidt is said to have expressed disappointment over what he found to be the condition of the US economy. It remains to be seen how much will materialize of the common action which Schmidt demanded in Europe to meet the twin problems of recession and inflation, but the Nine are now thinking in terms of "complementary" measures for surplus and deficit countries. Economic policy coordination within the EC is supposed to be revived.

The summit, as was expected, signaled the end of a 14-month stalemate over a modest regional aid fund that will primarily benefit Italy, the UK, and Ireland. This will be launched on an "experimental" three-year basis, presumably in response to German demands.

The principal institutional innovation of the summit was to agree to hold three regular heads-of-government "councils" a year in place of the less frequent, too-publicized summit sessions. Only very modest progress is likely in the near future toward implementing the call for greater use of majority voting. Since tough community issues already are frequently referred up to the heads-of-government level, the regularization of such meetings under EC Council rules may be a small improvement in community procedures.

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CYPRUS

President Makarios continues to behave as if he intends to play a constructive role in finding a solution to the Cyprus problem.

Makarios told a press conference yesterday that he will give former acting president Clerides written instructions within the next few days to begin political talks with Vice President Denktash. He predicted that these talks would begin within ten days.

The nature of these instructions will be a more accurate measure of Makarios' willingness to cooperate than the rhetoric he has used since his return to the island. The archbishop refused to discuss the details of the instructions at the press conference, but he noted they would be in accord with the common line agreed to at the Athens summit earlier this month in which Greek Prime Minister Karamanlis and Clerides also participated.

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While Makarios denied the existence of a rift with Clerides, he favors a tougher negotiating stance than Clerides and gave only grudging approval to the more flexible approach advocated by Clerides and Karamanlis.

Makarios' comment at the press conference that he has become more conscious of the "very sad reality" on Cyprus and his noncommittal remarks to groups of refugees suggest that his first-hand view of the situation has been a sobering experience which could persuade him to adhere more closely to the line worked out in Athens.

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BURMA

About 1,000 troops and police raided Rangoon University early this morning and seized the body of former UN secretary general U Thant. According to press reports, U Thant's body was taken from a student-built mausoleum on the campus to a tomb constructed by his relatives in the center of Rangoon.

The students had seized the body on December 5 because they felt the government's memorial procedures and burial site were not adequate to U Thant's stature as a world statesman. The protests have grown into virulent antigovernment demonstrations, and the authorities apparently felt they had to act.

The government's offer to bury U Thant with honors in a special plot in Rangoon was rejected by the students over the weekend; since then, activist student leaders have been staging antigovernment rallies on the campus. The activists hoped to bring down the government.

The students are backed by some Buddhist monks, but neither group resisted the government raid. The use of force, however, could weaken the government's already shaky standing with the public and lead to more trouble.

The US embassy believes the government may be underestimating the students' determination and the degree of public support for their stand on U Thant.



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YUGOSLAVIA-USSR

Soviet combat ships may be using Yugoslav repair facilities for the first time.

A Soviet F-class submarine and a tender entered the Gulf of Kotor on Friday. If the submarine remains for repair, it will be the first combat ship to avail itself of a new Yugoslav law that permits repair of foreign naval craft. The law was passed in April, and noncombatant ships were reportedly taking advantage of the privilege as of July.

The law is Yugoslavia's way of forestalling Soviet efforts to gain a permanent naval base on Yugoslav territory. Although Moscow may hope to expand the privilege, Yugoslavia is determined to avoid foreign violations of its territorial integrity and compromises of its nonaligned foreign policy.

The law contains strict limitations on repair and porting facilities:

--only two naval ships from the same country can be repaired in a given port at one time;

--combat ships with displacement over 4,000 tons will not be repaired;

--duration of repair must not exceed six months;

--all ammunition and weapons must be off-loaded and placed under Yugoslav military security.

In addition, the law expressly prohibits permanent refueling or repair facilities under foreign control.

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USSR-FRANCE

The Soviet-French summit that ended Saturday produced a number of economic agreements.

The USSR, after long and hard bargaining, reportedly agreed to pay 7.2- to 7.5-percent interest--depending on the size of the contract--on \$2.7 billion in long-term credits France is to provide in order to finance Soviet purchases of French machinery and equipment during the next five years. Moscow has been paying about 6 percent on French credits.

At its upper limit, the new interest rate is in line with the position taken by the EC Commission in talks on terms for government-backed credits. To gain Soviet approval for the higher interest rate, the French agreed to provide substantially larger credits than they first offered, but this will help France obtain a larger share of Soviet contracts in the future.

With the question of credit availability resolved, France's Pechiney-Ugine-Kuhlmann Company concluded a basic accord for the construction of an aluminum complex in the Soviet Union. Some \$600 million to \$1 billion in French equipment will be imported by the USSR as part of the project, which includes construction of an alumina plant near the Black Sea and the building of three aluminum processing plants near a major hydro-electric complex on the Yenisey River in Siberia.

The French will receive Soviet aluminum and other nonferrous metals under a long-term contract.

The French obtained a commitment from the Soviets to increase significantly the volume of natural gas to be delivered to France during the 1980s. The agreement calls for France to receive 250 million cubic feet per day beginning in 1976 and 387 million cubic feet per day starting in 1980.

If recent Soviet contracts with Austria and West Germany can be taken as a guide, Soviet prices for natural gas will probably be 20 to 30 percent below the

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rate France pays for alternative fuels. Annual Soviet earnings from natural gas deliveries to France could reach \$250 million by 1980.

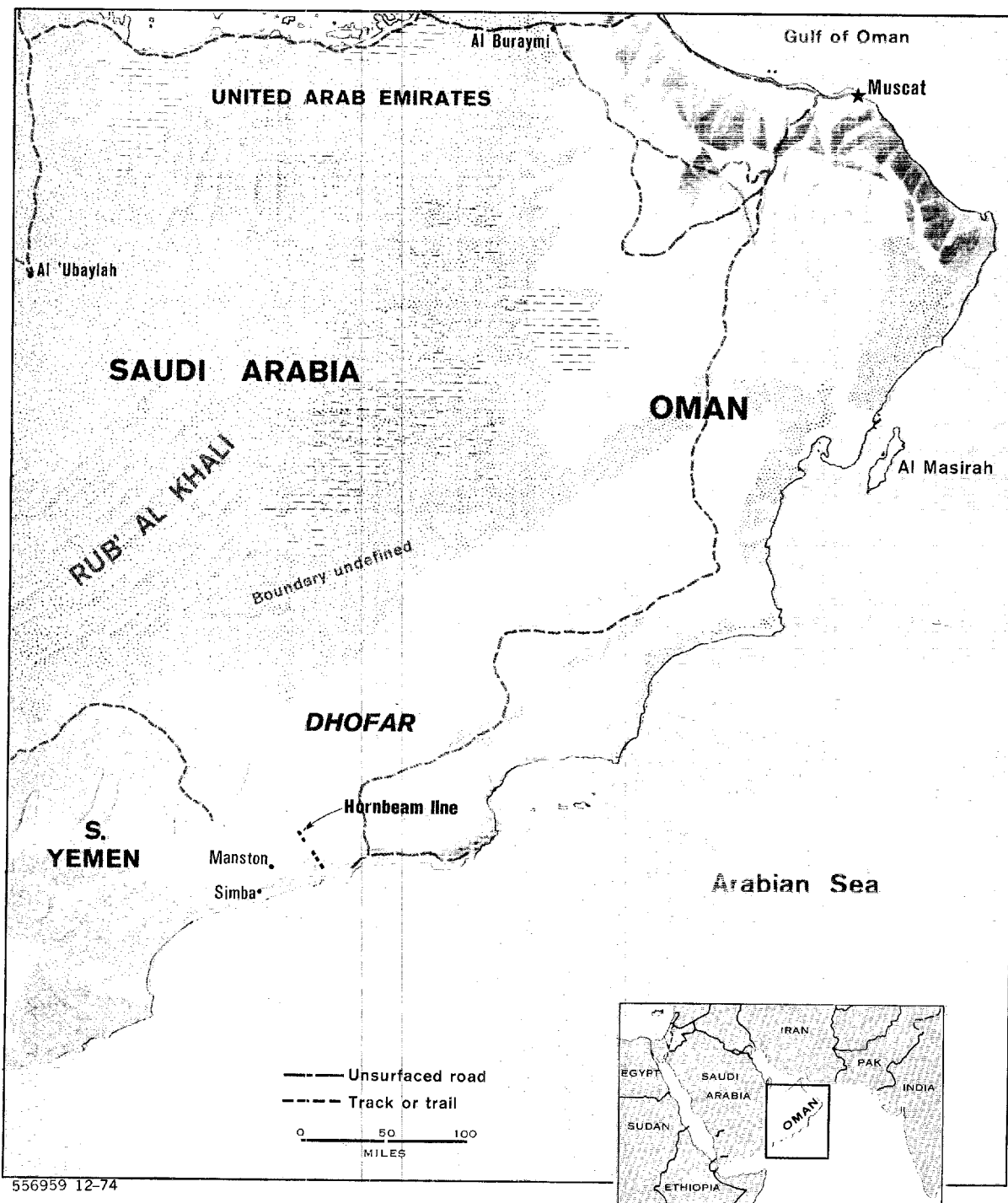
A five-year economic cooperation agreement and a ten-year industrial cooperation agreement were also signed. The new pacts contain no firm commitments that would conflict with the EC's ban on bilateral trade agreements. The ban goes into effect in January.

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OMAN-IRAN

The Iranian-led offensive against rebels in Oman's Dhofar Province has gotten off to a slow start. The Omani government had anticipated that the rebels would withdraw after a few days of fighting.

The largely untested Iranian troops suffered an early reversal. They admit losing 10 killed in a fight with some 50 rebels last Friday. The commander of the Sultan's armed forces attributes the losses to Iranian inexperience, and he expects the offensive to pick up soon. The Shah of Iran is committed to aiding the Omanis, and it is unlikely that he will allow the offensive to fail.

The rebels apparently intend to make a strong stand, at least initially, rather than fade into the surrounding countryside.

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FOR THE RECORD

Venezuela: President Carlos Andres Perez will be host to a meeting of six Central American presidents on Friday and Saturday. The visiting chiefs of state will seek increased financial support from Venezuela in the form of direct investments and loans. A proposal for preferential petroleum prices will probably be rejected out of hand, but Perez may propose some formula to lessen the impact of petroleum import costs on Central American economies. Venezuelan officials see the conclave as an opportunity to expand the country's economic and political influence throughout the Caribbean littoral.

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Zaire - North Korea: President Mobutu's visit to North Korea this week could produce a military assistance agreement between the two countries. A North Korean military delegation made a visit in late June and early July to assess the needs of Zaire's army.

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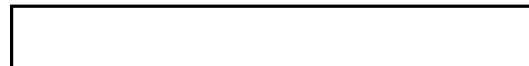
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Mobutu wants to strengthen Zaire's border defenses. He is also anxious to satisfy the wishes of his military leaders and does not want to return from Pyongyang empty-handed.

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